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## Latin America Review

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29 August 1986

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**Latin America  
Review**

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The Catholic Church, concerned that its traditionally conservative values are being undermined by President Alfonsin, is engaging in low-key opposition activities in concert with the labor movement and elements of the military.

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**Nicaragua: Peasant Resettlement Program**

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The Sandinistas believe their policy of moving peasants into resettlement camps is helping to weaken the insurgent support base and enhance the government's control in the countryside, but the program is contributing to growing popular dissatisfaction with the regime.

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**Jamaica: Beyond the Local Elections**

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In the wake of the ruling party's defeat in recent local elections, Prime Minister Seaga is hoping to use heavy government spending to restore his popularity, while activists in the main opposition party are clamoring for an early national election before the end of the year.

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**Panama: Strained Labor Relations**

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Organized labor's traditionally close relations with the regime, strained earlier this year over legislation to curtail a liberal labor code, are likely to face further tensions over austerity measures expected to be imposed by the government.

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**France: Policy Toward Central America**

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The election last March of a more conservative government in place of the Socialists has led Paris to continue a trend toward reducing support for the Sandinistas. The French are unlikely, however, to give full support to US policy in Central America.

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**Latin America  
Review**

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**Articles****Argentina: The Church  
and Democracy**

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The Catholic Church has generally supported the civilian government since Argentina returned to democratic rule in 1983. Recently, however, the church has begun to feel its traditionally conservative values are being undermined by the progressive agenda of President Alfonsin and his Radical Party (UCR). To protect its interests, the church is working with the Peronist-dominated labor movement and elements of the military. Although the church's opposition is presently low key and limited to a few discreet social issues, it could become a greater threat to the fledgling democracy if Alfonsin does not remain sensitive to the church's concerns while trying to modernize Argentine society.

**Background**

According to the US Embassy, the Argentine Catholic Church wields considerable social and political influence, in part because a relatively large percentage of Argentines—90 percent of whom are Catholic—actively practice their religion. Although the Argentine church is politically and theologically conservative, the US Embassy reports that it has managed to maintain popular appeal and build a reputation of concern for the poor by frequently calling for “just wages” and full employment. The church also has successfully weathered harsh criticism for its refusal to denounce human rights abuses committed by the military during the dirty war against the terrorism of the late 1970s.

**Tensions Under the New Government**

Alfonsin and the UCR came to power with ambitious plans to modernize and secularize society that quickly antagonized the Catholic hierarchy. According to the US Embassy, the church viewed the government's proposed divorce legislation, its plans to modernize the educational system, and some aspects of

Alfonsin's economic austerity program as potential threats to Catholic morality and the family. Moreover, some church spokesmen have publicly linked the spread of pornography to the return of democracy.

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**Divorce.** The UCR has already introduced legislation in Congress to end Argentina's distinction of being one of only six countries that has no legalized divorce. The press and US Embassy report that the church has centered its criticism of the government on this issue, saying that divorce will destroy the family, which it considers to be the most important institution in Argentine society. The Embassy adds that the church hierarchy also believes that divorce is only the first step toward legalized abortion.

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Although prodivorce sentiment runs across party lines, the UCR has taken the brunt of church criticism, prompting some UCR politicians to call for a referendum on the question to protect themselves and their party from ecclesiastical attacks. The proposed referendum has become the most contentious part of the divorce issue for the church, according to press and Embassy reports. Polls show that the vast majority of Argentines favor legalized divorce, and the church fears that a referendum could lead to an embarrassing defeat that would erode its moral authority.

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We believe that Alfonsin would like to resolve the conflict before the visit of the Pope, scheduled for April of next year.

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**Factionalism in the Church**

*The vast majority of Argentine clerics and the bulk of the episcopate, according to a variety of press and academic sources, are conservative but not politically active. Most appear to be neutral regarding forms of government, being primarily concerned with protecting church interests and promoting Catholic moral values under whatever type regime is in power. Small minorities on the left and right, however, have staked out more radical positions and have attempted to link the church to a specific political agenda.* [ ]

*Ultrarightist priests, in our view, are probably more influential than their numbers because they draw on an indigenous and well developed Argentine tradition of ultranationalism, anti-Semitism, and Catholic integrism. The church's far right wing has persistently aligned itself with the most reactionary sectors of the military. Antidemocratic priests, for example, are involved with a promilitary group called Family Members and Friends of Victims of Subversion (FAMUS), which defends the actions of the military during the war against subversion and vocally criticizes Alfonsin's policy of punishing former junta members for human rights abuses. FAMUS has sponsored masses at which both church and military leaders attacked democracy and accused the government of persecuting religion and the armed forces.* [ ]

*The far left, by contrast, is nearly nonexistent in the Argentine Church. Some progressive priests were active in the 1960s and 1970s, but most of them "disappeared" during the dirty war. The US Embassy classifies only three of Argentina's 75 bishops as progressive and points out that the only organization of leftist clerics in Argentina, the Movement of Priests for the Third World, has perhaps a dozen members compared to 500 in the early 1970s. Although worsening economic conditions could bring more recruits for the left wing of the church, we believe liberation theology is still a long way from taking root in Argentina.* [ ]

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**Education.** One of Alfonsin's major goals is to modernize the educational system, according to Embassy and press reporting. The church has publicly complained that some of his plans—such as greater student participation in choosing the curriculum and new methods to promote student creativity—will undermine traditional Catholic values. [ ]

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The church, in our view, is even more concerned over what it perceives as growing leftist control of education. [ ] the government has appointed many leftwing UCR members to high-level posts in the educational system. The church alleges that these leftists are incorporating the notion of class struggle into all areas of study as well as into the government's major new literacy program, and are using the public schools to spread anti-Catholic propaganda. [ ]

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Finally, the church fears for the existence of its own parochial schools, which are state subsidized. Although the government continues to support Catholic schools, the US Embassy reports that it is frequently in arrears on payments to the church. The church hierarchy worries that budget constraints might induce the government to cut off subsidies altogether, a development that could cause some schools to close, thereby seriously crippling the church's influence. [ ]

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**Economic Policy.** Church leaders continue to talk about the need to address poverty, which they call a "ticking time bomb." They frequently link poverty to the government's economic austerity program, while taking care not to saddle the democratic system as such with responsibility for Argentina's economic woes. We believe that this nuanced position on the economy has helped the church remain popular and retain the support of interest groups such as labor and the Peronists. [ ]

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**The Church's Response**

After lying low during the first year of Alfonsin's administration, the church is now turning to political activism. At their conference last April, the Argentine bishops publicly deplored the "distressing economic

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Archbishop Arambrou calling  
on Catholics to attend rally in  
support of the family. [ ]



Buenos Aires Herald

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situation of a vast sector of the population" and the alleged "moral decline" of Argentine society. The bishops also met with Alfonsin last November to voice their grievances and discuss government policy. The church's most confrontational action to date was a "Rally in Defense of the Family," attended by over 50,000 people in Buenos Aires, at which speakers lambasted divorce legislation and attacked the government's economic and education policies. [ ]

[ ] the Vatican has also contacted Alfonsin, using the Papal Nuncio in Buenos Aires—who met with the President in March—to express Rome's concerns over the issues of divorce and education. The Nuncio also criticized individuals in Alfonsin's administration for support of the anticlerical government of Nicaragua.

[ ] Alfonsin is angry over the criticism that he and his government are receiving from the church, he has refrained from any hostile public rebuttals. The President issued a carefully worded response to the April bishops' statement which declared that the government shared the church's concerns and asked

for its understanding and support. The US Embassy adds that Alfonsin has met several times with church leaders to explain government policies and to assure them that he will take their interests into consideration. [ ]

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#### Looking for Allies

**The Military.** The staunchly Catholic military is probably even more conservative than the church. The two institutions have a long history of collaboration and, according to US Embassy reporting, are united in opposing educational reform and leftist influence in the schools. The military shares the church's concern that the teaching of leftist values is "destroying the family unit and sowing the seeds of Communism." Both institutions fear expansion of the left in other areas as well, such as labor and the bureaucracy. Moreover, some military leaders are backing the church's position on divorce; [ ]

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[ ] a few officers have even suggested that the Army take a formal public stand against the proposed divorce law. For its part, the church has supported the military by opposing prosecution of military officers for human rights abuses. [ ]

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**Labor.** Although many Argentine trade unionists do not share the church's conservative values, the US Embassy reports that the stance of church leaders on poverty and socioeconomic issues has helped to link the church to the labor movement, which is vocally opposed to the government's economic policy. The church's chief purpose in working with the labor movement, [ ] is to stop leftist and Marxist infiltration of the unions. Gaining allies for its own cause is a secondary goal, according to Embassy reports. [ ]

The church collaborates with labor through the Bishops' Commission on the Social Apostolate, which teaches the Papal Encyclicals on Social Justice and gives seminars on issues such as poverty and education. Church leaders give highly publicized audiences to key Peronist union leaders, and [ ] the Vatican even assigned a bishop to "advise" Saul Ubaldini, leader of the largest Argentine labor federation. Press [ ] reports say the bishops conference is also helping to arrange a meeting with the Pope for Ubaldini and other labor leaders. [ ]

#### **Outlook**

We believe the church will continue to oppose the government on social issues such as divorce and education, but will not adopt the strident approach of the Peronists, labor, or the Marxists. Church leaders will probably continue to work closely with labor leaders to stop leftist inroads in that sector, but will be careful not to antagonize the UCR government by openly embracing the Peronist political opposition. [ ]

For its part, the government will pursue its program of modernization, however, attempting to make key social changes as palatable to the church as possible. Although Alfonsin is likely to sign a divorce law during the next year, he will probably see that it is approved by Congress, thereby assuaging church fears of a popular referendum. The President will also press ahead with educational reform, but will probably stop

short of ending subsidies to Catholic schools. Preventing an open split in the near term will be in the interest of the church and the government, as both want to assure the success of the Pope's visit to Argentina next year. [ ]

The church could become a greater threat to Alfonsin, however, in the unlikely event that the President tries quickly to impose major changes, such as holding a referendum on divorce, legalizing abortion, or halting payments to parochial schools. Any of these actions, in our view, might cause the church to lend the full weight of its moral authority and political influence to an antigovernment campaign. Under these circumstances, the church could become a formidable adversary, especially if it worked closely with the Peronists and elements of the military. [ ]

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## Nicaragua: Peasant Resettlement Program [ ]

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The Sandinista policy of moving peasants into resettlement camps is designed to weaken the insurgent support base and, by forcing traditionally independent peasants into government-run cooperatives, enhance Managua's economic and political control in the countryside. Although contributing to growing popular dissatisfaction with Sandinista rule, the policy represents a tactical plus and Managua is unlikely to reverse its course any time soon. Indeed, while a similar but smaller scale effort on the east coast in the early 1980s failed, the camps appear to be permanent fixtures on the landscape, and the regime, given the multiple benefits it sees in resettlement, might opt to expand the effort. [ ]

influence over agricultural production and marketing. Many peasants also reject cooperatives as an unnecessary change in tradition and a restriction of their independence. [ ]

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Compounding the problem for the government, peasant discontent has translated into growing support for the insurgency. Assessments of insurgent forces show that rural youths comprise the great bulk of the rank and file and that peasants or small farmers account for a significant portion—upwards of 20 percent—of the senior leadership of the Nicaraguan Democratic Force, the largest insurgent group. Moreover, local support for the insurgents, including serving as couriers and providing information on government troop movements, enhances insurgent capabilities. [ ]

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The Sandinistas recognize that maintaining rural backing is crucial to their survival. An extensive agrarian reform program has been the keystone of their efforts to win and maintain peasant loyalty. We estimate that to date, the Sandinistas have confiscated about 2.2 million hectares, almost two-thirds of the country's arable land, distributing it to peasants in the form of state farms, collectives, and cooperatives. Nearly 400,000 hectares reportedly will be distributed this year, according to Sandinista leaders. Regime strategists also have tried to improve health and, with Cuban assistance, educational services in the countryside. Underscoring the determination of the regime to buttress its rural support, Sandinista officials, most recently President Ortega in his anniversary speech, repeatedly indicate that the rural sector is a top priority. [ ]

### Sandinista Reactions and Priorities

In response, the regime is moving peasants in areas of insurgent activity—especially along the northern border with Honduras but also in Central Zelaya Department—into resettlement camps. So far, we estimate at least 60,000 to 80,000 individuals have been relocated, many forcibly. Official government data are lacking, however, and the figure may be higher. [ ] some 300,000 individuals were resettled. A recent academic study put the figure at 100,000. A report in the Sandinista party newspaper that 50 new resettlement camps will be constructed in the Jinotega-Matagalpa area by the end of the year indicates that the process is continuing, if not expanding. [ ]

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### Changing Rural Dynamics

Agrarian reform efforts initially generated considerable sympathy for the Sandinistas both at home and abroad, and they have accelerated distribution of land to disaffected peasants in recent years, but support for them in the countryside is eroding. US Embassy officials and press reports show an upsurge in peasant frustration caused in large part by falling farm income and pervasive government

Although the regime publicly justified the first wave of resettlements in early 1985 by citing the need to aid peasants displaced by the fighting against US-backed rebels, military considerations clearly were the top priority. Observers on the scene indicate that Managua wanted to create free-fire zones where the

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## Nicaraguan Resettlement Camps



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**Previous Resettlement Efforts**

*The Sandinistas are old hands at the resettlement game. In late 1981 and early 1982, the regime forcibly transported some 8,000 Miskito Indians who lived along the east coast near the Honduran border to resettlement camps in the interior. Then, as now, most observers believe the underlying Sandinista goals were to create a free fire zone along the border that would facilitate counterinsurgency operations and to deny anti-Sandinista guerrillas support from disaffected Indian communities. In recent months as part of the regime's plan to win support among the Miskitos by offering limited regional autonomy, Managua has allowed some Indians to return home. The importance the Sandinistas attach to the autonomy program, however, suggests that their willingness to dismantle Miskito resettlement camps will not serve as a precedent in their current effort in the West. Press reports also indicate that some 20,000 individuals from southern Nicaragua along the border with Costa Rica were relocated in late 1984 and early 1985, presumably to enhance the Sandinista tactical position in the area.* [ ]

Army could operate without restriction. Moreover, regime leaders were determined to deprive the insurgents of material support and intelligence provided by sympathetic peasants. As extra insurance, some camps are located near military bases. [ ]

Reflecting the military dimensions of the program, recent US Embassy reporting suggests that the regime believes that the camps will become key cogs in its overall counterinsurgency strategy. Press reports and US Embassy sources claim that military instructors visit resettlement camps—most organized as cooperatives—on a regular basis and that some have formed self-defense units. Members of one cooperative in the north, for example, are divided into 16-man squads for military functions and receive training from regular Army troops twice monthly, according to press reports. Reflecting the program's military aspects, the regime is accelerating the organization of new agricultural cooperatives in combat zones, according to US Embassy officials.

[ ]

Equally important, resettlement also affords the Sandinistas an avenue to reorder the economic structure of the rural sector, a longstanding regime goal. US Embassy reporting indicates that most of the camps are organized as cooperatives, the regime's preferred form of agricultural production, where all decisions on production, pricing, and marketing fall under government control. In other camps, even though the land is privately owned, social services are managed communally and government pricing and marketing controls apply. Press reports suggest the Sandinistas believe that the settlements "constitute the best way to integrate the peasants and to guarantee delivery of educational, medical, and other basic services." Underscoring the importance of the regime's economic motives, the government-controlled press characterizes those who believe they can return to their villages as soon as conditions permit as operating under an "illusion." [ ]

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To a lesser extent, relocation of scattered groups of peasants also provides the Sandinistas with an opportunity to expand their political control over the rural sector. For example, resettled peasants can be more easily incorporated into Sandinista-dominated labor organizations, particularly the Rural Workers Association. Peasants in the camps also receive political indoctrination. Underscoring the political objectives of the regime in pursuing resettlement, one Sandinista official stated that the program was a good way to create "the new Nicaraguan man." [ ]

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25X1**Judging Successes and Failures**

Resettlement has been a tactical plus for the Sandinistas, undermining the ability of the insurgents to operate for extended periods in the field, as well as their combat effectiveness. [ ] rebels infiltrating into Nicaragua from Honduras find it more difficult to live off the land because of the regime's depletion of their rural support network. In addition, we believe the policy, in conjunction with security sweeps that have resulted in the arrest of some 1,500 insurgent sympathizers so far this year, makes the development of organized front groups more difficult. Moreover, peasant resettlement also has helped the government to stem, at least temporarily, the flight of rural dwellers to the cities,

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**Sandinista Resettlement Program: A Closer Look**

*From a regional perspective, the peasant resettlement effort is unprecedented, both in terms of the number of individuals involved and the thrust of the program. In El Salvador, the government's resettlement program is aimed at returning displaced peasants to their lands. In Guatemala, under the so-called Poles of Development program, two dozen villages have been completed and inhabited. The plan, designed by the military and endorsed by the new civilian administration, calls for the reconstruction of 49 destroyed villages. By contrast, the Sandinistas built approximately 40 camps during the first six months of 1985 and plan to have constructed some 135 camps in northern Nicaragua by the end of this year, according to press reports. Overall, we calculate that about 2 percent of Nicaragua's total population, and some 10 percent of the populace in the northern departments, have been resettled so far.* [ ]

*Despite the scope of the Sandinista resettlement program, our understanding of how it is administered is limited. Although the military probably decides who goes to the camps, civilians almost certainly are in overall control. A National Emergency Committee apparently is responsible for central decisionmaking, but party activists at the regional and local level probably have a loud voice in how things are run.* [ ]

*Available evidence points to a lack of coordination among those responsible for camp administration. For example, heterogeneous groups are apparently*

*often assigned to the same camp, hampering integration. Moreover, the Sandinista press reports conflicts in the camps between regime supporters and advocates of the insurgents. Although most camps are organized as cooperatives, there also is no uniform system of land tenure. In one case, peasants work camp lands for minimum wages, while in others the peasants each own a portion of the land.* [ ]

*Anecdotal data paints a generally negative picture of everyday life in the camps:*

- *Housing units in the first camps in the Jinotega-Matagalpa area were substandard; described by one Sandinista official as "elemental." The camps also lacked schools, medical facilities, and supply centers. Months later, although the regime had reportedly budgeted some 28 million dollars for construction and food, the same official indicated that tools and other supplies were often unavailable.*
- *Disease, particularly malaria, also is a problem, and [ ] infant mortality is high.*
- *Peasants also reportedly have difficulty adjusting to living in the close confines of the camps.*
- *Moreover, security around new camps appears tight. In one, movement in and out was controlled, and families were not allowed to leave together.* [ ]

particularly Managua, where the regime's social services have been overtaxed, according to the US Embassy. [ ]

The resettlement policy has its drawbacks, although they are probably outweighed in the regime's scales by its military benefits. Peasant resentment over being forced to abandon their homes and possessions on quick notice helps insurgent recruitments, and we

believe that frustration over the economic restrictions imposed on camp residents will continue to contribute to rural disaffection. Economically, the camps probably are not self-sufficient and represent a drain on already scarce resources. At the same time, by contributing to the refugee flow into Honduras and Costa Rica, the policy has done little to improve Nicaragua's relations with its neighbors. [ ]

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**Secret****What Lies Ahead**

Given the current level of the insurgency, Managua is unlikely to abandon its resettlement program any time soon. Indeed, we anticipate that if insurgent activity picks up as a result of increased US aid, the program probably will be expanded even though such a move would add to the pool of potential insurgent recruits and, by disrupting agricultural production, further magnify already serious food shortages. Over the longer run, because of the structural and ideological benefits regime leaders see in the program, we doubt that Managua would permit a mass exodus from the camps, even if the insurgency were to wind down. Resettlement of peasants from areas experiencing little or no insurgent activity would be a clear signal that the regime was giving priority to the ideological aspects of the program and that it would be expanded to other parts of the country.

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## Jamaica: Beyond the Local Elections

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Prime Minister Seaga appears to be doing little to cope with the ruling Jamaica Labor Party's (JLP) low popularity. He is counting on a survey of vote fraud to deflect blame for his defeat in the recent local elections, while hoping the economy will soon register gains attributable to booming government spending. Although Michael Manley's reaction to the sweeping victory of his People's National Party (PNP) has been restrained, he will face increasing calls from his supporters to pressure Seaga for a national election this year before the tourist season begins in December. Seaga's apparent determination to resist any calls for an election he almost certainly would lose could lead to antigovernment demonstrations and sporadic political violence.



Seaga waiting to vote.

Daily Gleaner

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Both Seaga and Manley viewed the local contests as the first genuine test of their parties' electoral strengths since the national election in 1980, according to the US Embassy. Seaga's JLP suffered a 57 to 43 percent loss to Manley's PNP in the 29 July elections for Jamaica's 13 local parish councils. Although control of the councils themselves means little in terms of political power, the outcome of the municipal polling often is an accurate predictor of the next national election. Moreover, while Seaga tries to downplay the significance of the local poll, Manley is portraying the result as a vote of "no confidence" in the government and hoping to use the victory to gain leverage when he starts to push hard for a national election.

### Problems Ahead for Seaga

Seaga, meeting in early August with his entire Cabinet and parliamentary party, blamed PNP election fraud and poor election security by the police and military for his party's defeat. According to the Embassy, Seaga has set up an independent commission of inquiry to investigate the election irregularities, a move he hopes will distract his critics both within and outside the JLP. Senior ruling party officials, however, regard the Prime Minister's accusations of election fraud and

plans for a committee of inquiry as wasted efforts to find scapegoats for a humiliating defeat.

Moreover, Embassy and press reports say that the recent election was relatively honest and peaceful, despite scattered irregularities and violence fomented by supporters of both parties.

Ruling party leaders reportedly plan to insist that Seaga take steps to revitalize the JLP's image and organization. party officials, while not contemplating a direct challenge to Seaga's leadership, intend to pressure him to change his leadership style by delegating more ministerial authority and responsibility. They also want him to remove members of parliament and JLP-affiliated government workers who consistently fail to perform satisfactorily in their jobs.

Seaga's avoidance of these problems reflects his failure to take into account the depth of feeling against his leadership and desire for change in many sectors of Jamaican society, according to US officials. Seaga has indicated he may remove poor performers from his Cabinet and party hierarchy, but

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[ ] there is widespread decay at the local level of the JLP that Seaga has not addressed.

Meanwhile, Seaga appears to be pinning most of his hopes on an economic recovery, but his unbridled spending is causing major problems with the IMF and commercial banks. Primarily as a result of a doubling of government capital spending this year, Jamaica is out of compliance with IMF standby targets, a situation that jeopardizes a \$400 million commercial debt rescheduling that requires Jamaica to have an IMF accord by October. A Fund official has told US diplomats that it will be virtually impossible to reach an agreement by then. [ ]

#### Manley's Strategy

[ ] Manley, counting on economic difficulties to erode Seaga's popularity, prefers to concentrate on shoring up his own support and restoring the PNP's depleted finances, for the time being. [ ] Manley has instructed his party's rank and file to stop demanding an immediate election and concentrate instead on longer term plans to assume power. Moreover, [ ] Manley has reduced the influence of PNP radicals who would challenge his cautious strategy while bolstering moderates more likely to accept his political direction. In light of the PNP's electoral success, Manley risks appearing weak and indecisive to his followers, but apparently judges that applying heavy pressure on Seaga could stimulate public antipathy toward his party and revive fears that he is reverting to radical policies. [ ]

The stifling of the left within the PNP has reduced cooperation with the pro-Cuban Workers' Party of Jamaica to a record low. [ ]

[ ] Supporters of the Workers' Party reportedly had attempted to establish their organization as a significant player in the local election, according to the Embassy. Their candidates, however, failed to win any of the council seats at stake. [ ]

#### Outlook

PNP rank and file demands that Manley force the election issue probably will become more strident if



Manley at polling station. [ ]

Daily Gleaner

one is not called by the beginning of tourist season in December. Although Seaga and Manley hope to keep their followers from engaging each other in violent confrontations, we believe an upsurge in political violence between supporters of the two parties is a distinct possibility. Seaga will continue to resist foreign pressure to revert to economic austerity until after a national election. He may hope to forestall pressure from the IMF by pointing to the consequences of his electoral defeat and threatening to rally other debtors to his cause. In a recent conversation with the US Ambassador, for example, Seaga said that Jamaica has done as much as it can to comply with the Fund's requirements and that, if he and the IMF go their separate ways, he is likely to influence many other developing countries. [ ]

Even from a domestic political perspective, Seaga's plans are risky. He probably expects that a quick shot of government spending will help revive popular support for his party. Although real GNP could grow as much as 5 percent this year, by early 1987 severe inflationary pressures and reduced credit because of foreign debt problems will probably begin to choke economic activity. [ ]

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## Panama: Strained Labor Relations

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Organized labor's traditionally close relationship with the military and the government has been strained by recent legislation aimed at curbing Panama's liberal labor code. Government-labor tensions peaked during a ten-day general strike last March by the National Council of Organized Workers (CONATO), an umbrella confederation that represents labor's interests with the regime, and have continued as CONATO withdrew its delegates from various government organizations. The Panamanian Defense Forces—through the ruling Democratic Revolutionary Party—have been trying to woo CONATO back into the fold, while also working to limit labor's ability to disrupt the economy. We believe, however, that additional austerity measures required of the government to meet lending criteria of the World Bank and the IMF are likely to lead to more labor protests. Nevertheless, because of organized labor's inherent weaknesses and dependence on government funding, a complete break with the regime is unlikely.

### The Torrijos Years—Close Ties But Little Clout

Organized labor's current estrangement from the regime contrasts with its privileged position under Gen. Omar Torrijos between 1968 and his death in 1981. Torrijos's courtship of labor was part of his strategy to ensure support for his regime from all sectors of the political spectrum. His 1972 Labor Code endorsed unionism, the right to strike and bargain collectively, and worker education, and made it virtually impossible to dismiss employees. While Torrijos's code kept labor in the fold, it also ensured high production costs and discouraged business investment and expansion, according to the US Embassy. In response to business pressure, the code was modified twice during Torrijos's rule, but it still retained its proworker bias.

Despite labor's favored position during the 1970s, several constraints have limited its growth and political clout. First, the relatively high wages earned by Panamanian workers have discouraged

membership in unions, according to the US Embassy. In addition, according to the Embassy, unions traditionally have been excluded by the regime from recruiting among small businesses, which account for a large segment of Panama's economy. Trade unions have been similarly unsuccessful in penetrating offshore banking activities and the Colon Free Zone. As a result, only 17 percent of a work force of over 615,000 is unionized, a figure that has remained static since Torrijos's era.

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A number of other factors have contributed to labor's lack of political leverage. According to the US Embassy, workers traditionally look to the government, rather than unions, to protect their interests. CONATO, government subsidized and promoted, has been plagued with ideological differences since it was launched in 1973.

Transportation workers, critically important for any strike effort, are heavily influenced by the military. In addition, unions have been excluded from organizing among public-sector workers, who represent nearly one-quarter of the work force. Indeed, public employees formed their own associations and then joined in 1984 to form the National Federation of Public Employee's Associations.

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### Recent Tensions

The relatively placid relationship between the government and labor ended following the election of Nicolas Barletta to the presidency in 1984. Tensions focused on the new administration's plans to revise Torrijos's labor code further to meet World Bank and IMF lending criteria for the release of new money in 1985. Meanwhile, the new public employee group began to decry alleged mismanagement in government agencies and accused Barletta of plotting to cut back public-sector employment to satisfy the World Bank and IMF.

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**Significant Panamanian Labor Organizations**

<i>Name</i>	<i>Membership</i>	<i>Chief Officer</i>
<i>National Council of Organized Workers (CONATO)</i>	<i>100,000</i>	<i>Rotates monthly</i>

**Comment**

*CONATO has had a limited consultative role in national labor affairs. It represented labor at the legislative and political levels before the break with the regime in March. It represents most private-sector trade unionists, but has no real authority over its individual affiliates. CONATO has limited authority to enforce the decisions of the executive body. Structural changes in 1983 and 1984 gave leftist unions a greater voice in labor affairs.*

<i>Confederation of Workers of the (CTRP)</i>	<i>39,000</i>	<i>Ricardo Monterrey, Secretary General Republic of Panama</i>
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**Comment**

*Democratically oriented, CTRP is affiliated with the International Confederation of Free Trade Unions. A member of CONATO, it has not supported some initiatives advocated by the leftist faction.*

<i>National Confederation of Panamanian Workers (CNTP)</i>	<i>24,700</i>	<i>Jose Manuel Meneses, Secretary General</i>
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**Comment**

*Aligned with the Communist People's Party, as well as the World Federation of Trade Unions, CNTP maintains contact with Cuba, Nicaragua, and the Soviet Union. It is strong among food, commercial, and electrical workers.*

<i>Isthmian Labor Confederation (CIT)</i>	<i>5,100</i>	<i>Julio Cesar Pinzon, Secretary General</i>
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**Comment**

*CIT is a founding member of CONATO, but is now estranged. It is politically aligned with the Christian Democratic Party and affiliated with the World Confederation of Labor. CIT suffers from weak, undynamic leadership, according to the US Embassy.*

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**Significant Panamanian Labor Organizations (continued)**

<i>Name</i>	<i>Membership</i>	<i>Chief Officer</i>
<i>Center of Authentic Independent Workers (CATI)</i>	<i>5,000</i>	<i>Gabriel Castillo, Secretary General</i>

**Comment***Left of center, CATI is a frequent attendee at Moscow-sponsored events.*

<i>Panamanian Center of Transport Workers (CPTT)</i>	<i>16,500</i>
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**Comment***Created by Torrijos, CPTT remains heavily dominated by the military. CONATO has been unable to secure CPTT support in strikes because of military pressure.*

<i>National Construction Industry Workers Union (SUNTRACS)</i>	<i>4,000</i>	<i>Eduardo Rios, Secretary General</i>
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**Comment***Rios is a CONATO firebrand and left of center politically. Noriega's influence tempers Rios and SUNTRACS, however.*

<i>National Federation of Public Employee's Associations (FENASEP)</i>	<i>140,000</i>	<i>Hector Aleman, Secretary General</i>
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**Comment***The public employee federation takes the place of trade unions for public-sector workers. Influenced heavily by the military, FENASEP's political orientation is unclear.*

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In response to Barletta's proposals to weaken the labor code, CONATO called a 48-hour general strike in July 1985, contributing to pressure that eventually derailed the President's plan and forced the resignation of his Labor Minister. For their part, public-sector workers mounted their own six-week strike at the national electric company to protest the government's choice to head the utility. They also carried out a two-day national work stoppage in August 1985 to protest potential public-sector cutbacks. In our view, this constant labor unrest facilitated Barletta's removal by the military in September 1985. [ ]

Government-labor relations worsened when Barletta's successor, President Eric Delvalle, failed to follow up on his promise to consult with organized labor before contemplating any further reforms, according to the US Embassy. Last March, for example, Delvalle—pressured by Defense Forces Commander General Noriega and eager to reach agreement with the World Bank and IMF—proposed measures that included cuts in overtime pay for employees of small businesses, as well as other provisions that discouraged the use of union labor. [ ]

[ ] the regime wanted to pass the legislation quickly to minimize adverse reactions. CONATO retaliated with a 10-day general strike that shut down the nation's only oil refinery, food processing plants, and key ports, creating shortages of motor fuels and other consumer goods. The military intervened to stop the strike from spreading, however, and the demonstrations—several of which turned violent—did not prevent passage of the new measures. [ ]

Defeated, CONATO withdrew from all government councils and boards in which labor was represented, and rejected the government's request to name the worker delegate to the annual International Labor Organization conference in Geneva. Moreover, at May Day rallies this year, in sharp contrast to previous years, CONATO heaped criticism on the military as well as the Delvalle government for imposing the labor code reform, according to the US Embassy. CONATO is also attempting to launch an independent political movement, the National Popular Front, which reportedly has the support of all

CONATO members, as well as leftist political and student groups. [ ]

[ ] the party will organize more protests to try to influence social and economic policy. [ ]

#### Healing The Wounds

Since the general strike in March, the military has attempted to rebuild its relations with labor. For example, [ ] Noriega—through intermediaries—has tried to convince CONATO affiliates to reconcile their differences with the ruling party and the military. In addition, he has sought to discourage union support for CONATO's plans to form the National Popular Front. [ ]

At the same time, CONATO has been licking its wounds and has backed off from further confrontations with the regime. CONATO's proposed National Popular Front has yet to make a public appearance. Its plan to hold a 24-hour general strike in late April to protest the March reforms was canceled because its key affiliates were not willing to challenge the government. [ ]

[ ] members of CONATO's largest affiliate have been encouraged to avoid public displays of support for the government, but not to break with the ruling coalition. [ ]

#### Near-Term Reconciliation Unlikely

Despite CONATO's low profile and regime efforts to mend strained ties, we believe more labor unrest lies ahead. The Legislative Assembly will probably take up the issue of reforming the Social Security Fund in September, with an eye to establishing higher retirement ages. This issue, as well as likely cutbacks in public-sector employment rolls, is potentially more

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sensitive to labor than the reforms last spring. In our view, economic measures under government consideration to meet additional World Bank and IMF demands will probably further strain relations between labor and the regime, despite government assurances that it will consult fully with labor beforehand. Delvalle broke similar promises made to labor last fall, underscoring the government's determination to risk worker unrest and to placate international lenders. [REDACTED]

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While more labor agitation is likely, it will probably be limited. Its intensity and impact will probably be muted by CONATO's inherent weaknesses, as well as efforts by the military to induce labor leaders to toe the line and return to the ruling party ranks. CONATO realizes that the military holds the whip in Panama as well as the purse strings, and that any precipitous break with the regime would probably be a setback for organized labor in general, and CONATO in particular. [REDACTED]

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## France: Policy Toward Central America

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French Prime Minister Jacques Chirac, in private conversations with high-ranking US officials during the last six months, has expressed full support for US policy in Central America and promised to change France's policy toward the region from that followed by the previous Socialist government. Since the election in March, France has indeed been less confrontational toward Washington on Central American issues, but this has been due more to the domestic political situation in France than any directive for change. Neither Chirac nor President Mitterrand—whose office traditionally directs foreign policy—is willing to take a position on Central America that might come back to haunt him later.

The lack of any strong direction from the top militates against any major shifts in French Central American policy in the near future. Following a trend started when the Socialists controlled the government as well as the presidency, France will probably continue gradually reducing support for the Sandinistas in favor of the Central American democracies. Disenchantment with the Sandinistas, however, will not necessarily translate into backing for US policy, and France is not likely to support active US measures to apply economic and military pressure against the Sandinistas.

### Policy Under the Socialists

French policy toward Central America during the early days of Socialist rule was blatantly antagonistic to the United States. Originally, the Socialists followed a policy of actively supporting revolutionary groups in Central America on the basis of a view of global politics that conveniently combined Socialist ideology with French national interests. Although France's economic stake in Central America is not large, the Socialists saw Central America as a microcosm of broader trends in the Third World. In their view, inequality, exploitation, and authoritarianism rather than East-West competition were responsible for instability in the Third World. In addition, they believed the United States and the

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### French Economic Relations With Central America

**Trade.** France's interest in Central America is primarily political not economic. French trade with the five countries of Central America (Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica) accounts for less than 1 percent of France's total foreign trade. Trade with Nicaragua alone accounts for about one-third of 1 percent of the total and is far more significant for Nicaragua than for France. In 1985, France accounted for 6.9 percent of Nicaragua's exports and 5.6 percent of its imports. Although France's trade with Nicaragua is not insignificant, it is doubtful that France could effectively use trade as a lever against Nicaragua.

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**Direct Aid.** Nicaragua also has been the greatest beneficiary of direct French aid to Central America. Direct aid has remained fairly steady at \$8.5 million since 1982, roughly double the amount given to the other Central American countries and has mostly been in the form of food and medicine. While French aid has remained steady, aid from several other West European countries—notably Sweden and the Netherlands—has increased. The new Chirac government has indicated that it intends to phase out aid to Nicaragua after 1987 in favor of the other countries in Central America.

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**Loans and Credits.** Since 1982, France has given Nicaragua approximately \$15 million a year in loans and credits, while extending almost nothing to other Central American countries. Most of this aid has been tied to the purchase of French goods, thus artificially overstating the amount of French-Nicaraguan trade. Furthermore, the French have often made access to these credits contingent on repayment of previous credits.

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Soviet Union were exploiting this unrest to reassert their own faltering hegemony, thereby risking a dangerous confrontation. [ ]

According to the Socialists, socioeconomic reform would lead to the domestic political stability needed to close off opportunities for US-Soviet intervention and thus restore international stability. France could play a leading role in this process by supporting "progressive" (that is, revolutionary) forces. Optimistic Socialists envisioned a global transformation bringing peace, independence, and democracy to the nations of the world. In addition to these altruistic goals, pragmatic Socialists hoped to increase French influence with other Latin American countries and enhance France's prestige as a world power. [ ]

Once in power, the Socialists moved quickly to implement their goals. Paris issued a joint declaration with Mexico in August 1981 supporting El Salvador's guerrilla alliance—the Democratic Revolutionary Front/ Faribundo Marti National Liberation Front (FDR/FMLN)—and sold arms to Nicaragua in December 1981. This initial activism, however, was short-lived and French policy toward Central America was relatively restrained during 1982 and 1983. Several factors account for this passivity. Negative US and Latin American reactions to the joint declaration with Mexico on the FDR/FMLN and the Nicaraguan arms sale alerted France to the potential costs of an active policy in the region. Furthermore, increased repression by the Sandinistas and lack of popular support for the rebels in El Salvador gradually persuaded pragmatic Socialists that their original understanding of these groups had been flawed. The most important factor explaining French quiescence, however, was the crisis over INF deployment in West Germany, which dominated France's foreign policy agenda after the fall of Helmut Schmidt's government in October 1982. Faced with the need for NATO solidarity the French Government became more reluctant to antagonize the United States on Central American issues. [ ]

Toward the end of 1983, France again assumed an active posture toward Central American affairs. Successful INF deployment in West Germany

alleviated French security concerns, while the US-led Grenada invasion heightened French fears of direct US military intervention in Central America. France saw US economic and military pressure on Nicaragua as a dangerous step down this road and took a number of actions in various international forums to undermine US policy. By serving as an intermediary between Nicaragua and Costa Rica, between the Sandinistas and the Miskito Indians, and between the Duarte government and the FDR/FMLN, France tried to defuse the growing militarization of the Central American crisis. [ ]

While French policy was certainly anti-US during this period, it was becoming decidedly less pro-Nicaraguan. At the higher levels of the French Government, fear of US military intervention in Central America out-weighed sympathy for the Sandinistas, especially after 1983. Actually, French irritation with the Sandinistas began as early as 1982. The declaration of a state of emergency in March and Sandinista leader Daniel Ortega's visit to Moscow in May called Nicaraguan claims of political pluralism and nonalignment into question. Although disturbed by these actions, French policymakers were reluctant to criticize the Sandinistas publicly for three reasons: they did not want to appear to support US policy in the region; they did not wish to upset Third Worldists within the Socialist party who remained strongly sympathetic to the Sandinistas; and they hoped that the Sandinistas might still be persuaded to make good on their promises of political pluralism and nonalignment. Thus began a pattern of French officials criticizing the Sandinistas privately, while defending them in public. [ ]

The Socialist government's disenchantment with Nicaragua reached its zenith, however, after the Sandinistas expanded the state of emergency last October. [ ] in November 1985 the French Foreign Ministry decided to withdraw political and economic support for the Sandinistas gradually, while the Ministry of Foreign Trade decided in January to curtail trade and aid to Managua unless political developments in Nicaragua improved. The Sandinistas' stock with Paris probably

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fell even further in February when they hosted a conference of anti-imperialist organizations that called for the independence of France's Caribbean departments. [ ]

#### **Policy Under the New Government**

Although the tone of French policy has certainly changed since March, this has more to do with the vagaries of the domestic political situation in France than anything else. Chirac's proclaimed support for US policy in Central America is probably rather thin. Chirac and his key advisers are not very knowledgeable about Central American issues, and Chirac has paid little attention to the region since coming to power. A dramatic move on Chirac's part in support of US policy, such as direct contact between Chirac and Nicaraguan rebel leaders is unlikely, especially after the death in July of Joel Fieux, a naturalized Nicaraguan citizen of French birth, in a Contra ambush. [ ]

Chirac has also indicated to US officials that aid to Nicaragua will be phased out and rerouted to the Central American democracies. Closer scrutiny reveals that this really does not represent a radical departure from policy under the Socialists—the decision to reduce French aid to Nicaragua had probably already been made in late 1985 by the previous Socialist government. Furthermore, diplomatic relations between France and El Salvador had been gradually improving since 1983, culminating in the appointment of a permanent French Ambassador in April 1985. In any case, the amount of redirected aid these democracies can expect from France will be small, since French aid to Nicaragua has not been very large (see box). [ ]

Mitterrand, on the other hand, seems less willing to become involved in Central American issues than he has in the past. His reaction to the US House of Representatives approval of Contra aid in July was mild compared to his response to the US trade embargo against Nicaragua announced in May 1985. Furthermore, Mitterrand apparently did not try to influence France's position in the UN Security Council's debate on the International Court of Justice (ICJ) decision that condemned the mining of

Nicaraguan ports and the US role in the Nicaraguan conflict. (France abstained on a resolution calling on the United States to comply with the ICJ's decision.) [ ]

For the time being, Central America is a banana peel no one wants to slip on. Both Chirac and Mitterrand probably worry that supporting either the Sandinistas or the Contras is potentially embarrassing, and each is wary of making a mistake his opponent might exploit. [ ]

With neither Mitterrand nor Chirac willing to take a leading role, Foreign Minister Jean-Bernard Raimond is likely to play a key role in determining the substance of Central American policy. Raimond, a compromise choice for Foreign Minister, is a career diplomat, not a Chirac loyalist. [ ]

[ ] Raimond sees his present task as preventing the Chirac-Mitterrand rivalry from causing France any embarrassment, while maintaining continuity in France's foreign policy. [ ]

A Soviet–East European specialist, Raimond does not have a strong background in Central American affairs, but he has laid down some principles for France's future Central American policy that emphasize continuity over change. Raimond continues to support the Contadora process and the EC's policy of granting aid to all the nations in the region, including Nicaragua. He also stresses that France will reject military means to bring about change in the region and will continue to support the principle of nonintervention in internal affairs. Raimond recently observed to US diplomats that, unlike Cuba, Nicaragua is not yet a member of the Soviet Bloc—clearly implying that he is unlikely to support Nicaraguan rebels. Nevertheless, he says France will not undercut US policy in the region, and he is unlikely to seek a confrontation with the United States on Central America. [ ]

As part of his effort to ensure continuity in French foreign policy, Raimond has left in place at the Foreign Ministry several officials responsible for

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**Chronology of French Policy in Central America**

- 1978 *Socialist International admits National Revolutionary Movement (MNR), left-wing party in El Salvador headed by Guillermo Ungo, as member; grants observer status to Sandinista National Liberation Front; calls for suspension of economic, diplomatic, and financial support for Somoza regime; provides Sandinistas financial and organizational support.*
- 1980 *Socialist International calls for "active solidarity" with Democratic Revolutionary Front (FDR), political ally of guerrilla movement in El Salvador, headed by Guillermo Ungo and including his party, the MNR. EC Commissioner Cheysson advocates providing food and medical aid for Nicaragua.*
- 28 August 1981 *France signs joint declaration with Mexico recognizing FDR/FMLN—Democratic Revolutionary Front/Faribundo Marti National Liberation Front "as a representative political force" in El Salvador.*
- 2 September 1981 *Foreign ministers from nine Latin American countries—Argentina, Bolivia, Colombia, Chile, Guatemala, Honduras, Dominican Republic, Paraguay, and Venezuela—sign joint statement condemning French-Mexican joint declaration as interference in Salvadoran internal affairs.*
- December 1981 *France finalizes \$15 million sale of "defensive" weapons to Nicaragua; included two patrol boats, two Alouette-3 helicopters, 45 trucks, 7,000 air-to-surface rockets, and training for 10 Nicaraguan naval officers and 10 pilots. Eleven Latin American nations including Mexico, Brazil, Venezuela, and Colombia express displeasure with French action.*
- March 1982 *Sandinistas declare state of emergency in Nicaragua. Constituent assembly election in El Salvador; overwhelming turnout for candidates of center and right.*
- July 1982 *Sandinista leader Daniel Ortega meets with Mitterrand and Cheysson in Paris, after meeting with Brezhnev in Moscow. French grant Nicaragua \$15 million in aid, but caution Nicaragua to maintain "genuine nonalignment."*
- Early 1983 *France unsuccessfully tries to gain support of new Socialist government in Spain for joint diplomatic initiative toward Central America.*
- February 1983 *Roving Ambassador to Latin America Antoine Blanca announces French intention to upgrade diplomatic relations with El Salvador to the charge level.*
- October 1983 *US-led invasion of Grenada.*
- November 1983 *Foreign Minister Cheysson meets with Salvadoran Foreign Minister Fidel Chavez Mena in Paris. First official contact between Socialist government and the government of El Salvador.*
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*Chronology of French Policy in Central America (continued)*

*April 1984*                      *Cheysson sends letter to Colombian President Betancur proposing multinational force to remove mines from Nicaraguan ports planted by US-backed rebels. Letter reportedly authorized by Mitterrand.*

*French offer resolution in UN Security Council calling for freedom of navigation in Central American region (vetoed by United States). Mitterrand meets with Guillermo Ungo, leader of FDR.*

*June 1984*                      *Duarte elected President in El Salvador.*

*July 1984*                      *France hosts border talks between Nicaragua and Costa Rica. Mitterrand meets with Salvadoran President Duarte in Paris, encourages negotiations with FDR/FMLN.*

*September 1984*              *Second round of Costa Rican-Nicaraguan border talks hosted by France. France attempts to solicit Canada, the Netherlands, Norway, Sweden, and Mexico for multinational peacekeeping force. EC, Contadora, and Central American countries meet in San Jose, Costa Rica. French leak letter from US Secretary of State George Shultz calling on conference participants not to grant political or economic assistance to Nicaragua. France and West Germany facilitate negotiations between FDR/FMLN and Duarte government at La Palma.*

*November 1984*              *Nicaraguan election, French Government declines to send official observers. However, French National Assembly sends Jean Natiez, president of French-Nicaraguan friendship group as representative. Indication of PSF rank-and-file support for Sandinistas.*

*1985*                              *French lead European members of Inter-American Development Bank protest US veto of \$58 million development loan to Nicaragua.*

*January 1985*                  *Inauguration of Daniel Ortega as President of Nicaragua, France sends low-level delegation.*

*April 1985*                      *Sandinista-Miskito Indian negotiations held in Mexico. France, Sweden, Canada, Mexico, Colombia, and the Netherlands attend as observers. France upgrades relations with El Salvador to ambassadorial level, appoints Alain Roquier as resident Ambassador.*

*May 1985*                      *US declares trade embargo against Nicaragua. French protest embargo at Bonn summit. Mitterrand meets with Ortega in Paris 13 May, after the Nicaraguan President's official visit to Moscow.*

*June 1985*                      *Costa Rica rejects French offer to mediate talks with Nicaragua in Paris.*

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***Chronology of French Policy in Central America (continued)***

*October 1985*                      *French officials facilitate negotiations for release of Ines Duarte, kidnaped daughter of Salvadoran President.*

*15 October 1985*                *Sandinistas expand state of emergency in Nicaragua.*

*December 1985*                *French UN delegation collaborates with Nicaragua to draft General Assembly resolution criticizing US embargo against Nicaragua. Resolution passes 84-4-37.*

*March 1986*                      *French legislative election results in conservative majority.*

*20 March 1986*                *Chirac indicates support for US Central American policy in meeting with Secretary Shultz, although other Gaullists voice reservations.*

*22 May 1986*                      *Chirac foreign policy speech calls for French "modesty" in Central America.*

*6 June 1986*                      *Nicaraguan Vice President Sergio Ramirez pays official visit to Paris. Meets with Mitterrand and Foreign Minister Raimond, but not Chirac.*

*16 June 1986*                      *French Embassy in Nicaragua refuses to send report by independent Nicaraguan human rights agency (Permanent Commission on Human Rights) to Paris unless data on human rights changed to reflect French Embassy figures (that are based on Sandinista figures).*

*20 June 1986*                      *Chirac states "full support" for US policy in meeting with special envoy Habib. Also indicates that France will phase out aid to Nicaragua in favor of Central American democracies.*

*25 June 1986*                      *US House of Representatives approves \$100 million in aid for Nicaraguan insurgents. Sandinistas shut down La Prensa the country's only independent newspaper, indefinitely.*

*July 1986*                      *In UN Security Council, France abstains on Nicaraguan resolution condemning US support for Contras. Joel Fieux, naturalized Nicaraguan of French birth killed in Contra ambush in Nicaragua.*

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Central America appointed under the Socialists, especially Remy Lahaye, the pro-Sandinista director for Central America. Furthermore, actions by French officials in Managua indicate they remain strongly sympathetic to the Sandinistas. As a result, much of the information French policymakers receive on Central American affairs carries a bias against US policy. [ ]

#### Outlook

In the short run, the strains of domestic politics will keep the French from undertaking any major new initiatives toward Central America. Support for the Sandinistas is likely to wane gradually. France will probably oppose military solutions to the region's problems, as well as policies aimed at isolating Nicaragua diplomatically or economically, but not in a way that might provoke a confrontation with the United States. [ ]

The balancing act, however, will probably not last very long. Legislative elections are likely to follow France's next presidential election, which will probably occur in March 1988. A leftwing president would seek to gain a governing majority, while a rightwing president would try to capitalize on his election victory to expand the right's present razor-thin majority in the National Assembly. If the Socialists came back to power, they would probably again oppose US economic and military pressure against Nicaragua. They might also try to placate hardcore supporters of the Sandinistas on the party's left, by making a few symbolic gestures toward Nicaragua. For the most part, however, the Socialists are likely to be cautious in their dealings with Nicaragua and would probably be reluctant to extend any new aid—economic or military—to the Sandinistas without concrete political concessions. [ ]

If the right should take the presidency as well as maintain power in the National Assembly, the best the United States could probably hope for in Central American policy would be a kind of benign neglect. Although the right would certainly be less reluctant to criticize the Sandinistas, this would not necessarily translate into support for US policy. Chirac has indicated such support, but his attachment to this

position (as to any position) is probably not very deep. The French right has traditionally taken less interest in Latin American affairs than the left and presently seems more concerned with using limited French resources to maintain France's traditional ties to its African clients. Furthermore, broad elements of the center and right worry that US military involvement might weaken US commitments to Western Europe and provoke anti-US sentiment in France as it did in the Vietnam war. On a more negative note, many old- and new-style Gaullists on the French right might argue for a more active role in Central America. Therefore, if fears of US intervention were to increase, a rightwing French Government might become more critical of US policy. For the most part, however, the right will probably feel there is little to be gained by provoking the United States over Central America. [ ]

Future French governments of either the left or the right could revive a more activist French policy in Central America. The persistent influence of Gaullism and the desire to play a world role often lead the French to herald prematurely the decline of US-Soviet influence as the basis for French opportunity. In the final analysis, France does not have the power to shape events in the region, but can only react to opportunities as they arise. Furthermore, before making any serious effort to exercise its influence in Central America, Paris would need to sense that it could afford to provoke Washington and that something could be gained by becoming involved in the region's affairs. [ ]

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## Latin America Briefs

Cuba

### Economic Policy Inches Leftward [ ]

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President Castro's latest economic program calls for drastic action against inept management and corruption, but these are only the symptoms of Cuba's economic problems, and his efforts are likely to bring minor improvements at best. The government's economic "action plan" drafted last month aims at combating widespread cheating on production records, salaries and perquisites; corrupt and inept business administration; and insufficient law enforcement. [ ]

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[ ] The plan tightens use of some market incentives and relies more heavily on the reinforcement of moral and revolutionary ideals. Meanwhile, nine ministerial working groups have been established to study long-term remedies to administrative weaknesses and labor deficiencies, according to the Cuban press. The working groups' agenda suggests that new policies will focus on tougher labor discipline, reduced consumption, revisions in planning and investment processes, and political exhortations. [ ]

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The concentration on voluntary labor and deemphasis on enterprise profitability suggest a move leftward, but probably do not portend a reversion to the radical policies of the 1960s when Castro attempted a shortcut to "pure Communism." Castro's current caution is reflected in recent statements warning against extremist reforms. The Soviets have probably urged restraint on Castro and are likely to continue to do so. Nonetheless, the move away from market incentives is likely to dampen economic output. Cuban workers—hit by declining incomes, shortages, and calls for even greater sacrifices—are likely to become increasingly outspoken, possibly forcing the regime to turn to more repressive measures. [ ]

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### Foreign Exchange Shortage [ ]

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Havana is claiming that its commercial arrearages reflect its inability, not its unwillingness to pay. According to the US Interests Section, Cuban debt payments in August were running about three weeks behind schedule and [ ]

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[ ] the delays stemmed from temporary liquidity problems. [ ]

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Havana's hard currency shortage is growing more severe. According to a Western press report, in May Havana had only enough hard currency reserves to finance 10 to 20 days' worth of imports or about \$50 million. In late July, [ ]

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[ ] Cuba's hard currency reserves were less than \$100 million.

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Havana apparently has slashed foreign expenditures to cope with its financing difficulties. [ ]

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stricter import criteria had been implemented and the US Interests Section reports

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that all foreign purchases now have to be approved by the economic commission appointed by President Castro last May. [ ] Cuban

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front companies in Panama—the purchasing agents for much of Cuba's Western imports—sharply reduced spending and stopped drawing down credits since May.

[ ] Havana also apparently has tightened banking regulations for foreign exchange transfers and strengthened efforts to acquire US dollars from Western visitors. In addition, [ ]

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Havana's economic difficulties forced it to cut back on planned financial support for the Nonaligned Movement summit. [ ]

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Castro will have difficulty extracting fresh loans from already nervous Western bankers. According to the Interests Section, at least two West European commercial banks canceled Cuban credit lines recently and we believe that other investors will follow suit unless Havana brings arrearages up to date quickly. We believe Havana is likely to get far less than the \$300 million in new credits requested from commercial creditors as part of debt rescheduling talks scheduled for early September. Consequently, Cuba may turn once again to the Soviets to bail it out of its hard currency difficulties. There is no indication that Moscow is willing to increase hard currency assistance over 1985 levels [ ]

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**Honduras-El Salvador****Improving Communication [ ]**

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Honduran President Azcona's state visit to El Salvador in late July may lead temporarily to closer cooperation on security and diplomatic efforts, but the apparent lack of progress on the longstanding border dispute between the two countries remains a problem. According to US diplomatic reporting, Azcona and Salvadoran President Duarte jointly denounced the Sandinistas as totalitarians bent on subverting the Central American democracies. The US Embassy in Tegucigalpa reports that efforts are under way to increase coordination of military operations against Salvadoran guerrillas in the border area. US Embassy reporting after the visit indicates, however, that the work of a bilateral commission charged with resolving the border dispute has come to a standstill, suggesting that Azcona and Duarte could not agree on how to handle the issue before its official submission to the International Court of Justice in December. After the good will of the visit wears off, resentment about the border stalemate may again hamstring the efforts of the two Presidents to improve cooperation against Nicaragua and the guerrillas. [ ]

25X1

**Uruguay-USSR****Foreign Minister's Visit to Moscow [ ]**

25X1

During his visit to Moscow in late July, Uruguay's Foreign Minister Iglesias signed a communique supporting nuclear disarmament talks, an accord for cultural-scientific cooperation, and agreed to continue talks on diversifying trade. Iglesias—the first Uruguayan Foreign Minister to visit the Soviet Union—hoped to expand export markets, thereby gaining revenues for his

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financially strapped country, [REDACTED]

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[REDACTED] Iglesias resented Moscow's clumsy political maneuvering during the visit, particularly its effort to persuade Uruguay to condemn Washington's SDI programs. We believe that Iglesias's refusal to do so and the bland tone of the final joint communique indicate that Montevideo will keep its political distance from Moscow and that the trip did little to advance Uruguay's relations with the USSR. The US Embassy in Moscow, however, reports that the Soviets—who have also recently hosted visits by the Argentine and Brazilian Foreign Ministers—were relatively satisfied with Iglesias's trip, presumably viewing it as another milestone in their patient efforts to expand contacts with South America's democracies. [REDACTED]

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**Montserrat****Tough Decision** [REDACTED]

25X1

The UK dependent territory of Montserrat experienced an island-wide protest in mid-August when virtually all private-sector employees and most civil servants walked off their jobs over the government's decision to expel an Anglican priest. The popular priest, Father Alston Percival, was accused of meddling in political matters and told to leave within a week. The dispute was settled when the government rescinded the deportation order and Father Percival agreed to leave by the end of the year. [REDACTED]

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Despite the agreement, Montserrat is likely to experience additional political trouble in the coming months. According to US Embassy reporting, the basic issue behind the strikes, construction of a casino that the priest and much of the population opposed, remains unresolved. Nonviolent protests have occurred intermittently in recent years over demands for wage increases, and the US Embassy in Antigua reports that the recent incident reflects longstanding dissatisfaction with Chief Minister Osbourne who has been in power since 1978. The government apparently still intends to go through with the casino project. Although opposition politicians speculated that the incident would force the government to call an early election, Chief Minister Osbourne has publicly ruled it out. [REDACTED]

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